

**Department of Health and Human Services**

**OFFICE OF  
INSPECTOR GENERAL**

**The Effect of Financial Screening and Distinct  
Part Rules on Access to Nursing Facilities**



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# EXECUTIVE SUMMARY

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## PURPOSE

To assess the extent to which financial screening and distinct part rules limit access to nursing facilities for Medicare and Medicaid beneficiaries.

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## BACKGROUND

The Health Care Financing Administration (HCFA) requested that the Office of Inspector General (OIG) conduct a study about nursing home certification and admissions practices that may limit access to care for Medicaid and Medicare beneficiaries. These practices are distinct part certification and financial screening.

In recent years, HCFA and the Office of Civil Rights (OCR) have been alerted by nursing home advocacy groups and beneficiaries that nursing homes may be using financial screening and distinct part rules to limit access for Medicare and Medicaid applicants. Facilities can request financial information from beneficiaries as part of their admissions process and can designate a distinct part by certifying a specific number of their beds for Medicare and/or Medicaid. There is some concern, however, that facilities are using these practices to deny access to Medicare and Medicaid beneficiaries.

To address these concerns, we interviewed State Long Term Care Ombudsmen, State Medicaid officials, a sample of hospital discharge planners, and a sample of nursing home administrators. We also contacted several oversight agencies about complaints they have received related to these issues. Additionally, we analyzed data from the National Ombudsman Reporting System (NORS) and the Online Survey Certification and Reporting System (OSCAR) to assess complaints and the nursing home bed supply.

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## FINDINGS

### Distinct Part Certification

**Overall, distinct part rules do not appear to limit access for Medicaid or Medicare beneficiaries.** Twenty-nine States allow nursing homes to certify a portion of their beds for Medicaid. The remaining 22 States have a “one bed, all beds” policy that requires nursing homes that participate in Medicaid to certify all of their beds for Medicaid. Irrespective of these rules, about 97 percent of all beds that are certified nationwide are for Medicaid. In addition, Medicaid officials report no significant problems with distinct part. Ombudsmen generally concur, although some express concerns.

Regarding Medicare, all but one State allow nursing homes to certify a portion of their beds for Medicare. However, access to Medicare beds does not appear to be a problem according to respondents and previous OIG studies.

## Financial Screening

**Nursing facilities commonly request financial information as part of the admissions process.** Ombudsmen, Medicaid officials, and nursing home administrators report that facilities commonly ask for financial information, often about a person's assets, income, and insurance.

**When financial screening occurs, it primarily affects access for Medicaid beneficiaries.** While no Medicaid officials and only eight ombudsmen report that Medicaid beneficiaries are "very often" denied access to a nursing home because of financial screening, one-third of discharge planners say that nursing homes refuse patients "very often" for financial reasons. Many discharge planners note that Medicaid patients are most likely to be affected by these practices.

## Complaints

**Oversight agencies receive relatively few complaints about financial screening or distinct part practices.** The Office of Civil Rights (OCR) and the OIG Hotline could document virtually no complaints about financial screening or distinct part practices. Ombudsmen from 24 States estimate receiving an average total of 339 complaints related to financial screening per year. Over two-thirds of these complaints come from 7 States. Regarding distinct part practices, ombudsmen in 20 States estimate receiving an average total of 334 complaints per year. Similarly, three-quarters of these complaints are from 6 States. The total number of complaints represents less than one percent of all complaints reported by ombudsmen in a year.

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## CONCLUSION

Distinct part rules do not appear to limit access for Medicaid or Medicare beneficiaries. Financial screening may cause access problems for some Medicaid beneficiaries, but these problems do not appear to be widespread. At this time, any potential effects of distinct part rules and financial screening are being tempered by a bed supply that generally exceeds demand and by State initiatives that promote access. The dynamics of the nursing home bed supply, however, could change in the future.

The Department can respond to these findings with a number of options.

- ▶ It can do nothing new at this time and continue to monitor access and changes in nursing home occupancy rates, as well as the factors that affect nursing home bed supply and demand;
- ▶ It can strengthen its oversight efforts by alerting survey and certification and ombudsman staff to potential abuses and by using public service announcements to alert consumers to common financial screening practices;
- ▶ It can issue new regulations or legislation that eliminates Medicare distinct part and/or prohibits financial screening; or
- ▶ It can study the effects on access of the practices adopted by 23 States to promote access to nursing facilities.

## **AGENCY COMMENTS**

We received comments on the draft report from the Health Care Financing Administration (HCFA), the Administration on Aging, and the Assistant Secretary for Planning and Evaluation (ASPE). The HCFA agreed with our recommendation to strengthen oversight and listed a number of steps they were taking to implement that recommendation. Additionally, at ASPE's request we have forwarded a memorandum to HCFA containing a State-specific discussion of access. The ASPE also asked for a discussion of the variance in responses listed in Table 2. We believe the variance is due to perspective. While the State officials take a policy or oversight view of the problem, the discharge planners' view is that of a caseworker focusing on the process of placing beneficiaries. We elaborate on this on page 16 of the report with our follow-up interviews with discharge planners.

Technical comments have also been included in the report. The full text of the agencies' comments are contained in Appendix B.